
# SCOTT PAPER LIMITED ANNUAL REPORT 1975

# Contents



# Scott Paper Limited 1975 Annual Report

Head office / Vancouver, British Columbia
Plants / New Westminster and Surrey, British Columbia and Crabtree, Quebec
Sales offices / Vancouver, Winnipeg, Toronto, Montreal and Dartmouth, Nova Scotia

# Valuation Day Value

For Canadian capital gains tax purposes, valuation day values of Scott Paper Limited securities are as follows:

Common Shares . . . . . . . . . $ 18.50
1971 Series A Debentures . . . . . $102.00

Ce rapport annuel est publié en français en anglais.
Si vous désirez en obtenir un exemplaire additionnel, prière d'aviser le Secrétaire.

# Message to the Shareholders

1975 was an unusual year for the company—particularly the second half which required all the skills and ingenuity of our people as never before.

After reporting sales and earnings increases for the first six months, our third quarter results were seriously reduced by an eleven-week, industry-wide work stoppage at all pulp and paper mills in British Columbia. The strike commenced at our Western Manufacturing Division on July 25th and ended on October 9th when employees represented by the Canadian Paperworkers Union returned to work under the terms of the Collective Bargaining Continuation Act of the Province of British Columbia.

This long strike, coupled with little or no real growth in the economy, as well as the very high rates of inflation experienced for the entire year, were the major factors in slowing the sales and profit growth anticipated for 1975. Net sales, nevertheless, increased by 15% and net income amounted to $3.70 per share, slightly ahead of the $3.67 per share reported for 1974. While this is a good performance under the circumstances, it does not provide the returns on sales and investment required for planned future expansion.

A notable accomplishment in 1975 was the mid-year introduction of Cottonelle Bathroom Tissue. This exciting new product, produced at our Crabtree, Quebec plant and introduced in Ontario and Quebec, represents a major technological advance and has met with excellent response, as detailed elsewhere in this report.

The strike at our Western Manufacturing Division at New Westminster was symptomatic of the turbulent economic forces at work in Canada during recent years. These conditions were particularly prevalent in the Canadian pulp and paper industry, where domestic and international market demand has swung from one extreme to the other, costs have soared and wage increases and demands have far exceeded productivity gains.

As we now view 1976, it is difficult to assess all of the factors which will have an influence on the current year's operating results. There are signs that the economy will improve during the year, bringing with it higher per capita consumption rates for sanitary and convenience papers in Canada. This should result in higher unit volume sales over 1975. World and Canadian prices for some of our major raw materials, such as wood and purchased pulps, are not expected to increase by significant amounts in the year ahead.

The Anti-Inflation Act of the Federal Government and the accompanying regulations are now law. A major effort to comply with the intent, as well as the letter of these anti-inflation guidelines for incomes and prices, will be required of industry, labour and government if the inflation rates are to be brought down and controlled. Scott Paper Limited intends to comply fully with the regulations and guidelines.

Some problems exist. Unemployment remains high, consumer purchasing power has been reduced by years of high inflation rates, and the restoration of consumer confidence may well be a slow process. The costs of recent and imminent labour agreement settlements will add significantly to already high manufacturing costs in Canada as they will to other major cost factors, such as distribution, freight and operating supplies. The costs of energy and steam generation, important factors in pulp and papermaking, continue at historically high levels. It is not entirely clear to what extent the anti-inflation regulations of the Federal Government will permit the recovery of these increased costs through price adjustments, so the total affect of all factors on your company cannot be accurately evaluated at this time.

The introduction of Federal anti-inflation controls has also to be viewed in the general context of Canadian economic policy and Federal and Provincial involvement

in the private sector. Canadian industry is now burdened with a bewildering and expensive array of statutes and regulations. Worthy as the overall objectives may be, the growth and vigor of the entire economy is being impaired by the time and energy that industry must devote to these non-productive areas.

Certainly, 1976 will be another year of unusual challenge. Our manufacturing, marketing and administrative divisions emerged from 1975 more efficient than ever. Our newer products, including Cottonelle Bathroom Tissue, have greatly strengthened our competitive position in the marketplace, and our financial base has been enlarged and improved. These important factors, together with the strong support of our management group, employees, customers and suppliers, encourage great confidence in the company's prospects for 1976 and future years.

FOR THE BOARD OF DIRECTORS:

A. F. Armstrong

A. F. ARMSTRONG,
*Chairman.*

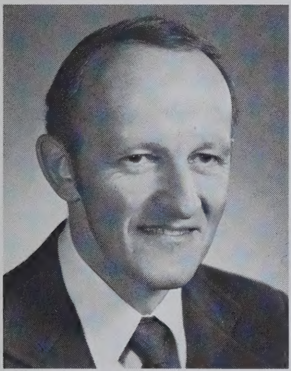
George O'Leary

G. L. O'LEARY,
*President and Chief Executive Officer.*

Vancouver, B.C., March 1, 1976.


A. F. ARMSTRONG, *Chairman.* G. L. O'LEARY, *President and Chief Executive Officer.*

# Marketing



H. PETER SANAGAN
*Vice President—Marketing*

While 1975 was a year of adversity, the marketing achievements were as important and successful as any in recent years. At the top of the list, of course, was the introduction of Cottonelle Bathroom Tissue into the Quebec and Ontario markets. This product, which embodies much of a two-ply quality in a single-ply make-up, repositions the company's bathroom tissue product line in the major markets of Ontario and Quebec. All of the initial objectives of distribution, volume and consumer response were reached or exceeded and virtually 100% distribution at the trade level has been achieved in all of the introductory sales districts.

Many other important product improvements and innovations were introduced during the year. These include the addition of Viva Decorated Towels, new packaging on Confidets and Scotties, the expansion of the important babyScott panty line with the addition of a denim-style design, packaging revisions to Lady Scott Facial and Bathroom Tissue and CutRite wax paper, and the introduction of Soft 'n Pretty ScotTissue in Ontario.

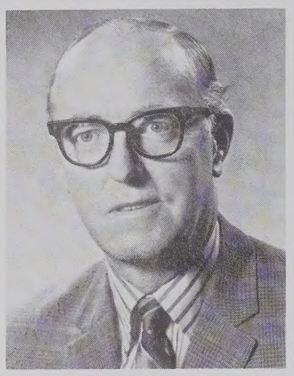
The changes to the Scotties line included a new style dispenser opening, representing an improvement in dispensing over the successful magic oval method utilized for many years. A big feature of the Scottie program during the year was the introduction of "the Little Softie". The Little Softie, featured graphically elsewhere in this report, led the way in introducing the improved packaging to Canadian consumers.

Results in our Industrial Division were mixed. Because of economic conditions, total market volume was below 1974 levels and the work stoppage in New Westminster materially affected our Western sales operations. However, in Eastern Canada, significant gains in market shares were recorded, and the intensive effort to develop markets for our premium quality industrial brands has been successful.

The unprecedented shutdown of our Western Manufacturing Division severely reduced our ability to service orders, particularly in Western Canada. With production limited, available resources were allocated to those areas of greatest long term importance. In British Columbia, there were no shipments of any kind for about three months. However, recovery from the effect of the shutdown has been, on the whole, very satisfactory.

We are expecting improved growth rates during 1976, as all economic indicators available at this time point to a gradual recovery in the economy. While overall growth of traditional product lines is expected to be moderate, that of our new products, particularly babyScott diapers and Cottonelle Bathroom Tissue, should be more vigorous. These factors, plus a more experienced sales and marketing organization, will help to produce the results anticipated in 1976.

# Manufacturing



DOUGLAS HOLME
*Vice President—Manufacturing*

The most significant accomplishment for the Manufacturing Division in 1975 was the completion of the re-build to No. 4 Paper Machine at Crabtree and the start-up and subsequent production of Cottonelle Bathroom Tissue. The successful launch of this new papermaking technology, developed by Scott Paper Company's research, was truly the highlight of the year and a graphic demonstration of the strength of the Scott family of companies. The project was managed by a special Canadian venture team. Technical expertise and support was provided by Scott Paper Company specialists and the overall coordination was carried out by the International Division.

The shutdown of our Western operations and those of several of our Eastern competitors caused serious disruptions to our normal shipping patterns. This resulted in inefficient service and added freight and distribution costs as we sought to provide product on an equitable basis to our customers across Canada.

Negotiations with the National Union of Pulp and Paper Workers of Crabtree (C.N.T.U.) were successfully concluded in May of 1975 and we have a contract with the Union which expires in May of 1977, subject to a general wage re-opener provision in May 1976. Our experience and expectations concerning cost increases of raw materials and supplies, aside from wages, is mixed. The rate of increase of chemical pulp appears to have slowed, reflecting the current heavy world inventories and slackening of international demand for bleached kraft. On the other hand, costs of all other supplies and materials continue to increase at double digit rates. Power costs and municipal taxes, particularly in British Columbia, are expected to increase by about one-third. Productivity is increasing, but with the high cost of money and the rapid escalation in machinery costs, it is increasingly more difficult to create capital programs with a satisfactory return on investment. So, the impact of inflation, which was substantial in 1975, will again be notable in 1976.

The company's long-run outlook for supplies is excellent however, with chemical pulp and other vital operating needs secured with long-term contracts favourable to both Scott and its suppliers.

A substantial addition to our converting facilites in Western Canada is planned and operations are anticipated to commence early in 1977. Major upgrading of the groundwood pulp mill was undertaken in New Westminster, with the installation of two new Mark III Grinders. The project continues and will be completed with two additional grinders in 1976 to ensure continuation of our vital Western Canadian groundwood operation.

In November, we appeared before the Pearse Commission which was established by the B.C. Provincial Government to examine the forest industry, particularly with regard to forest tenure. Our brief stressed the vital need for cottonwood in our mechanical pulping operation at New Westminster and the need of an assured long-term log supply. We expect that these needs will be recognized when the report is implemented by the Provincial Government.

Our concerns about the financial cost of environmental control have been expressed and incorporated in a brief being prepared by the British Columbia Council of Forest Industries for presentation during Government hearings to be held in 1976.

Our manufacturing organization was strengthened during the year. Moves have been made to ensure a closer relationship with Scott Paper Company's research and development organization and to provide the management structure necessary to improve the cost of moving our products through the distribution system.

# Financial Summary

PETER J. PETERS
*Vice President—Finance and Treasurer*

In 1975, the Company's 54th year of operation, consolidated income after taxes and dollar sales again attained record high levels. Despite the 11-week strike at the New Westminster plant, 1975 sales rose to $84,628,834, for an increase of 15% over sales of $73,570,647 in 1974. Income after taxes reached $2,959,448, or $3.70 per share, compared with $2,936,578, or $3.67 per share in the previous year. Although the strike reduced our planned performance, a concentrated effort to reduce expenses in various areas helped to partially offset the adverse effects.

During the year, short-term borrowings, and thereby interest expenses, were considerably greater than originally anticipated, due to pulp-inventory build-up as well as two mail strikes that hindered collections of accounts receivable. Shortly before the year end, to free up the Company's short-term line of credit and improve the working capital situation, Series "B" Debentures for $11 million were issued. This has resulted in an improvement of the Company's financial position to assist in facing the uncertain economic conditions of the next several years.

In 1975, approximately $7 million was invested in new plant and equipment—somewhat less than originally estimated, due to late deliveries and disruption in operations. We anticipate capital expenditures of $10 million in 1976, including the carry-over from the previous year. Major programs will include the modification and improvement of present equipment, expansion of manufacturing space and new machinery. Cash flow of the company will fund a substantial portion of these investments.

The capital expenditures for 1975 resulted in adding $1,429,000 to Deferred tax credits for the year, and this amount assisted in funding such expenditures.

The dividend rate for 1975 was $1.20 per share, compared to $1.00 per share in 1974, and marked the 45th consecutive year of dividend payments to our common shareholders.

# Financial Highlights

| FOR THE YEAR | 1975 | 1974 | Percent change |
|---|---|---|---|
| Net sales | $84,628,834 | $73,570,647 | 15.0 |
| Depreciation | 3,286,049 | 3,008,128 | 9.2 |
| Interest expense | 2,114,749 | 1,220,365 | 73.3 |
| Income before taxes | 5,404,448 | 5,522,578 | (2.1) |
| per share | 6.76 | 6.90 | |
| Income taxes | 2,445,000 | 2,586,000 | (5.5) |
| Income after taxes | 2,959,448 | 2,936,578 | 0.8 |
| per share | 3.70 | 3.67 | |
| Dividends | 960,000 | 800,000 | 20.0 |
| per share | 1.20 | 1.00 | |
| Income reinvested in the business | 1,999,448 | 2,136,578 | (6.4) |
| Cash flow from operations | 7,705,198 | 7,447,391 | 3.5 |
| per share | 9.63 | 9.31 | |
| Capital expenditures | 7,056,344 | 7,815,551 | (9.7) |
| Salaries, wages and benefits | 21,087,740 | 18,115,432* | 16.4 |
| AT YEAR END | | | |
| Ratio current assets to current liabilities | 2.3 | 1.2 | |
| Long term debt | $21,633,000 | $10,636,000 | |
| Shareholders' interest per share | $ 33.74 | $ 31.24 | |
| Number of shares outstanding at year end | 800,000 | 800,000 | |
| Number of shareholders | 1,095 | 1,122 | |
| Number of employees | 1,588 | 1,535 | |
| Investment in assets per employee | $ 34,400 | $ 26,200 | |

**Excludes special retirement plan payment (see Note 8 to Financial Statements).*

# Consolidated Statements of Income and Retained Income

*Year ended December 31*

| | 1975 | 1974 |
|---|---|---|
| INCOME: | | |
| Sales, less allowances and after deducting Federal sales tax of $7,025,964 (1974—$6,232,522) | $84,628,834 | $73,570,647 |
| EXPENSES (Note 7): | | |
| Cost of products sold | 59,958,321 | 49,458,245 |
| Selling and distribution expenses | 14,310,806 | 13,401,864 |
| Administrative and general expenses | 2,578,155 | 2,801,203 |
| Pension costs (Note 8) | 262,355 | 1,166,392 |
| Debenture interest and amortization of issue costs | 1,040,585 | 953,170 |
| Bank interest | 1,074,164 | 267,195 |
| | 79,224,386 | 68,048,069 |
| Income before income taxes | 5,404,448 | 5,522,578 |
| INCOME TAXES: | | |
| Current | 1,016,000 | 1,176,000 |
| Deferred | 1,429,000 | 1,410,000 |
| | 2,445,000 | 2,586,000 |
| Income for the year | $ 2,959,448 | $ 2,936,578 |
| Income per share | $3.70 | $3.67 |
| RETAINED INCOME: | | |
| Retained income at beginning of year | $18,390,824 | $16,254,246 |
| Income for the year | 2,959,448 | 2,936,578 |
| | 21,350,272 | 19,190,824 |
| Dividends—$1.20 per share (1974—$1.00 per share) | 960,000 | 800,000 |
| Retained income at end of year | $20,390,272 | $18,390,824 |

# Consolidated Statement of Financial Position

| | December 31 1975 | December 31 1974 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 24,872 | $ 23,108 |
| Trade and other accounts receivable | 7,357,825 | 6,524,353 |
| Inventories (Note 2) | 18,352,946 | 16,685,254 |
| Prepaid expenses | 224,800 | 183,972 |
| | 25,960,443 | 23,416,687 |
| CURRENT LIABILITIES: | | |
| Bank indebtedness (Note 3) | 3,503,630 | 9,236,877 |
| Accounts payable and accrued liabilities | 7,720,493 | 9,543,538 |
| Income taxes payable | 309,821 | 777,778 |
| | 11,533,944 | 19,558,193 |
| Working capital | 14,426,499 | 3,858,494 |
| *Add:* NON-CURRENT ASSETS— | | |
| Fixed assets (Note 4) | 39,480,269 | 35,740,080 |
| Unamortized debenture discount and issue expenses | 508,816 | 401,676 |
| Miscellaneous assets | 256,688 | 246,574 |
| | 40,245,773 | 36,388,330 |
| *Deduct:* NON-CURRENT LIABILITIES— | | |
| Sinking fund debentures (Note 5) | 21,633,000 | 10,636,000 |
| Deferred income taxes (Note 1(d)) | 6,049,000 | 4,620,000 |
| | 27,682,000 | 15,256,000 |
| Net assets | $26,990,272 | $24,990,824 |
| SHAREHOLDERS' INTEREST: | | |
| Share capital (Note 6) | $ 6,600,000 | $ 6,600,000 |
| Retained income | 20,390,272 | 18,390,824 |
| | $26,990,272 | $24,990,824 |

APPROVED BY THE BOARD OF DIRECTORS:

A. F. Armstrong,
*Director.*

A. W. Fisher,
*Director.*

# Notes to Consolidated Financial Statements
# December 31, 1975

1. Summary of significant accounting policies:

(a) Principles of consolidation—

The consolidated financial statements include the accounts of Scott Paper Limited and its wholly-owned subsidiaries, Westminster Paper Company Limited, operating, and Omega Products Limited, non-operating.

Where appropriate, all intercompany transactions are eliminated.

(b) Inventories—

Inventories of finished products and work in process are valued at the lower of average cost and market value determined on the basis of net realizable value. Raw materials and supplies are valued at average cost which is not in excess of replacement cost.

(c) Depreciation and amortization—

Fixed assets—

Depreciation is provided on buildings, machinery and equipment on a straight-line basis over their estimated useful economic lives at rates ranging from 2½% to 20% of original cost per annum.

Debenture discount and issue expenses—

The amortization of debenture discount and issue expenses is provided on a basis related to the principal amount outstanding.

(d) Income taxes—

On January 1, 1968 the Company adopted the tax allocation method of accounting for income taxes for all periods subsequent to that date.

Subsequent to January 1, 1968, the Company has provided for deferred income taxes arising primarily from claiming capital cost allowances available for income tax purposes in excess of depreciation charged to operations.

Prior to January 1, 1968 the Company followed the policy of charging against earnings only income taxes actually payable after claiming maximum capital cost allowances available for income tax purposes on its fixed assets. Because capital cost allowances exceeded depreciation provided in the financial statements for those years, there are accumulated reductions in income taxes otherwise payable of approximately $3,902,000 which have not been recorded as deferred income taxes.

2. Inventories:

| Inventories consist of— | December 31 1975 | December 31 1974 |
|---|---|---|
| Finished products and work in process | $ 8,264,980 | $ 8,876,565 |
| Raw materials and supplies | 10,087,966 | 7,808,689 |
| | $18,352,946 | $16,685,254 |

3. Bank indebtedness:

The bank indebtedness includes unpresented cheques and is secured by a pledge of the Companies' accounts receivable and inventories.

4. Fixed assets:

| Fixed assets consist of— | December 31 1975 | December 31 1974 |
|---|---|---|
| Land, at cost | $ 527,662 | $ 516,291 |
| Buildings, machinery and equipment, at cost | 64,896,081 | 58,138,442 |
| *Less:* Accumulated depreciation | 25,943,474 | 22,914,653 |
| Net book value of depreciable assets | 38,952,607 | 35,223,789 |
| | $39,480,269 | $35,740,080 |

5. Sinking fund debentures:

| | December 31 | | | |
|---|---|---|---|---|
| | 1975 | | | 1974 |
| | 8¾% Series A | 11⅝% Series B | Total | Total |
| Principal amount issued | $12,000,000 | $11,000,000 | $23,000,000 | $12,000,000 |
| *Less:* | | | | |
| Amount retired by terms of mandatory sinking fund provisions | 720,000 | — | 720,000 | 360,000 |
| Amount acquired and lodged for future sinking fund requirements | 647,000 | — | 647,000 | 1,004,000 |
| | 1,367,000 | — | 1,367,000 | 1,364,000 |
| Principal amount outstanding | $10,633,000 | $11,000,000 | $21,633,000 | $10,636,000 |

8¾% sinking fund debentures, Series A—

The Series A debentures were issued on July 2, 1971 with a maturity date of July 2, 1991 and require that mandatory sinking fund payments be made in each of the years 1974 to 1990 to retire $360,000 of the debentures per annum with an option to retire a further $180,000 per annum.

11⅝% sinking fund debentures, Series B—

The Series B debentures were issued on December 9, 1975 with a maturity date of October 31, 1990 and require that mandatory sinking fund payments be made in each of the years 1978 to 1989 to retire $770,000 of the debentures per annum.

The debenture trust agreement contains a distribution test formula which limits the availability of retained income for payment of dividends. As of December 31, 1975 approximately $4,000,000 is available for distribution under the most restrictive tests.

Minimum sinking fund payments required in each of the five years following December 31, 1975 is as follows—

| | |
|---|---|
| 1976 | $ —* |
| 1977 | $ 73,000* |
| 1978 | $1,130,000 |
| 1979 | $1,130,000 |
| 1980 | $1,130,000 |

**Net of amounts acquired and lodged for future sinking fund requirements.*

6. Share capital:

The authorized share capital of Scott Paper Limited consists of 2,000,000 common shares without par value of which 800,000 are issued and outstanding.

Of the 1,200,000 unissued shares, 50,000 are reserved for options under the "Key Employees' Stock Option Plan". As at December 31, 1975 no options are outstanding.

7. Expenses include:

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Depreciation | $ 3,286,049 | $ 3,008,128 |
| Directors' and senior officers' remuneration | $ 446,260 | $ 424,306 |

8. Pension plans:

The Company has a number of contributory pension plans, participation being available to substantially all of its employees. Length of service and individual earnings determine the pensions and retirement benefits for all members of the plans.

Based on preliminary actuarial estimates as at September 30, 1974, confirmed by a subsequent actuarial review at December 31, 1974, one of the Company's pension plans had a deficiency of approximately $1,300,000 due to strong inflationary pressures in 1974 combined with reduced market values of securities at the end of September and December in that year. Thus the Company considered it prudent to make a special funding contribution of $1,000,000 to the trustees of this pension fund. This additional amount was charged to income for the year ended December 31, 1974.

A recent actuarial valuation and subsequent review of the pension plans indicated that all liabilities were fully funded by assets held by the trustees as at December 31, 1975.

9. Anti-inflation program:

The Company and its operating subsidiary are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government of Canada in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of general uncertainties concerning implementation of the program so that the impact on the Companies' future operations cannot be accurately determined. The Companies have used their best efforts to comply with the guidelines since their announcements. To comply with the controls, dividends during the Company's year ending December 31, 1976 will be restricted to the same rate as in 1975 ($1.20 per share).

# Consolidated Statement of Changes in Financial Position

| | Year ended December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Financial resources were provided by: | | |
| Operations— | | |
| Income for the year | $ 2,959,448 | $ 2,936,578 |
| *Add:* Charges which did not involve an outlay of working capital— | | |
| Depreciation | 3,286,049 | 3,008,128 |
| Deferred income taxes | 1,429,000 | 1,410,000 |
| Amortization of debenture issue costs | 32,860 | 52,001 |
| Loss (gain) on disposal of fixed assets | (2,159) | 40,684 |
| | 7,705,198 | 7,447,391 |
| Issue of Series B debentures (net of expenses of $140,000) | 10,860,000 | — |
| Proceeds on disposal of fixed assets | 32,265 | 11,235 |
| Government grants | — | 46,316 |
| | 18,597,463 | 7,504,942 |
| Financial resources were used for: | | |
| Additions to fixed assets | 7,056,344 | 7,815,551 |
| Dividends | 960,000 | 800,000 |
| Purchase of Series A debentures | 3,000 | 764,000 |
| Increase (decrease) in miscellaneous assets | 10,114 | (177) |
| | 8,029,458 | 9,379,374 |
| Increase (decrease) in working capital during the year | 10,568,005 | (1,874,432) |
| Working capital at beginning of year | 3,858,494 | 5,732,926 |
| Working capital at end of year | $14,426,499 | $ 3,858,494 |

# Auditors' Report

To the Shareholders of
Scott Paper Limited:

We have examined the consolidated statement of financial position of Scott Paper Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of income and retained income and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except that our report on the 1974 financial statements had an exception to the special charge to income for pensions in that year (see Note 8).

Price Waterhouse & Co.
*Chartered Accountants.*

1075 West Georgia Street
Vancouver, B.C.
February 12, 1976

# Ten Year Review

| | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | *(thousands of dollars except Per Share)* | | | | | |
| **Sales and Earnings** | | | | | | | | | | |
| Net sales | **$84,629** | 73,571 | 56,295 | 48,118 | 42,910 | 39,762 | 35,789 | 34,133 | 29,894 | 27,303 |
| Depreciation | **3,286** | 3,008 | 2,394 | 2,031 | 1,780 | 1,426 | 1,312 | 1,223 | 1,079 | 1,063 |
| Interest expense | **2,115** | 1,220 | 1,099 | 1,103 | 879 | 448 | 334 | 211 | 243 | 325 |
| Income before taxes | **5,404** | 5,523 | 3,538 | 3,244 | 3,049 | 3,183 | 3,268 | 3,020 | 2,256 | 1,458 |
| Income taxes* | **2,445** | 2,586 | 1,544 | 1,557 | 1,463 | 1,600 | 1,700 | 1,585 | 1,297 | 890 |
| Income after taxes* | **2,959** | 2,937 | 1,994 | 1,687 | 1,586 | 1,583 | 1,568 | 1,435 | 959 | 568 |
| **Per Share** | | | | | | | | | | |
| Income before taxes | **$6.76** | 6.90 | 4.42 | 4.06 | 3.81 | 3.98 | 4.09 | 3.77 | 2.82 | 1.82 |
| Income after taxes* | **3.70** | 3.67 | 2.49 | 2.11 | 1.98 | 1.98 | 1.96 | 1.79 | 1.20 | .71 |
| Cash flow | **9.63** | 9.31 | 7.02 | 5.33 | 4.90 | 4.75 | 3.89 | 3.39 | 3.11 | 3.30 |
| Dividends paid | **1.20** | 1.00 | 1.00 | .95 | .90 | .90 | .90 | .80 | .80 | .80 |
| Shareholders' Equity | **33.74** | 31.24 | 28.57 | 27.08 | 25.92 | 24.83 | 23.75 | 22.69 | 21.70 | 20.74 |
| Number of shares outstanding (thousands) | **800** | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 | 800 |
| **Condensed Funds Statements** | | | | | | | | | | |
| Source of funds | | | | | | | | | | |
| —operations | **$ 7,705** | 7,447 | 5,619 | 4,266 | 3,918 | 3,799 | 3,070 | 2,658 | 2,485 | 2,641 |
| —long term financing and other | **10,892** | 58 | 429 | 55 | 11,482 | 2,804 | 2,642 | 56 | — | — |
| | **18,597** | 7,505 | 6,048 | 4,321 | 15,400 | 6,603 | 5,712 | 2,714 | 2,485 | 2,641 |
| Expenditures for | | | | | | | | | | |
| —fixed assets | **7,056** | 7,816 | 5,677 | 3,087 | 3,376 | 6,701 | 4,797 | 2,188 | 1,480 | 1,417 |
| —dividends | **960** | 800 | 800 | 760 | 720 | 720 | 720 | 640 | 640 | 640 |
| —repayment of long term borrowings and other | **13** | 763 | 608 | — | 6,100 | — | — | 321 | 753 | 368 |
| | **8,029** | 9,379 | 7,085 | 3,847 | 10,196 | 7,421 | 5,517 | 3,149 | 2,873 | 2,425 |
| Net increase (decrease) in working capital | **10,568** | (1,874) | (1,037) | 474 | 5,204 | (818) | 195 | (435) | 388 | 216 |
| **Financial Position** | | | | | | | | | | |
| Current assets | **$25,960** | 23,417 | 13,974 | 13,248 | 12,990 | 11,113 | 10,493 | 9,067 | 8,459 | 8,661 |
| Current liabilities | **11,534** | 19,558 | 8,242 | 6,479 | 6,695 | 10,022 | 8,585 | 7,354 | 6,311 | 6,124 |
| Working capital | **14,426** | 3,858 | 5,733 | 6,769 | 6,295 | 1,091 | 1,909 | 1,714 | 2,148 | 2,537 |
| Fixed assets at net book value | **39,480** | 35,740 | 31,031 | 28,206 | 27,206 | 25,610 | 20,334 | 16,849 | 15,885 | 15,483 |
| Long term debt | **21,633** | 10,636 | 11,400 | 12,000 | 12,000 | 6,100 | 3,300 | 700 | 1,000 | 1,700 |

**For purposes of comparison, income taxes and income after taxes for the years 1967 and prior have been restated to reflect the income tax allocation method of accounting used subsequent thereto. This restatement has not been reflected in the financial statements—see Note 1 attached to financial statements.*

## Officers and Executive Management

ARTHUR F. ARMSTRONG
*Chairman*

GEORGE L. O'LEARY
*President and Chief Executive Officer*

THOMAS J. BIRKENHEAD
*Controller*

JAMES C. BOYLE
*Assistant Vice President (Industrial Marketing)*

W. MICHAEL FERRIE
*Assistant Vice President*
*(Director of Corporate Personnel)*

BERNARD A. GOULET
*Vice President*
*(General Manager, Eastern Manufacturing Division)*

JOHN J. HERB
*Secretary, Scott Paper Limited*
*Vice President, Westminster Paper Company Limited*

DOUGLAS HOLME
*Vice President (Manufacturing)*

NORMAN A. KELLY
*President, Westminster Paper Company Limited*

RALPH M. KITOS
*General Manager, Western Manufacturing Division*

WILLIAM M. MATTICE
*Director of Quality Control*

PETER J. PETERS
*Vice President (Finance) and Treasurer*

JOHN F. PHILIP
*Assistant Vice President (Manufacturing and*
*Distribution Development Manager)*

H. PETER SANAGAN
*Vice President (Marketing)*

DAVID H. STOWE
*Assistant Vice President*
*(Director of Consumer Sales)*

## Board of Directors

ARTHUR F. ARMSTRONG*†
*Vancouver, B.C.*

PAUL C. BALDWIN*
*Director and Vice Chairman,*
*Scott Paper Company, Philadelphia, Pa.*

H. CLARK BENTALL*
*Chairman and Chief Executive Officer,*
*Dominion Construction Company Limited,*
*Vancouver, B.C.*

GILBERT C. CLARKE
*Deputy Chairman of the Board,*
*Standard Brands Limited, Montreal, P.Q.*

ALEX W. FISHER, Q.C.†
*Associate Counsel, Davis & Company,*
*Barristers & Solicitors, Vancouver, B.C.*

W. DOUGLAS H. GARDINER†
*Deputy Chairman and Executive Vice President,*
*The Royal Bank of Canada, Toronto, Ontario*

GEORGE L. O'LEARY*
*Vancouver, B.C.*

PETER J. PETERS*
*Vancouver, B.C.*

RENAULT ST-LAURENT, Q.C., LL.D.
*Partner, St-Laurent, Monast, Walters,*
*Gagne & Vallieres, Barristers & Solicitors,*
*Quebec, P.Q.*

*Member of the Executive Committee.
†Member of the Audit Committee.

## Transfer Agent and Registrar

THE CANADA TRUST COMPANY
*Vancouver, Calgary, Toronto, Montreal and Halifax*

## Stock Listings

Vancouver, Toronto and Montreal Stock Exchanges

## Annual Meeting

The Company's Annual Meeting of Shareholders will be held at 11:30 a.m. on April 26, 1976 at the Hyatt Regency Hotel, Vancouver, B.C.


Scotties "Little Softie" made its first appearance in 1975 on new Scotties packaging and in television commercials.

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